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EXECUTIVE DIRECTOR'S WRITTEN RESPONSE

TO

MANAGEMENT AUDIT OF THE PORT OF SAN FRANCISCO

by

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[San Francisco Port Commission]

(REPORT TO THE SAN FRANCISCO BOARD OF SUPERVISORS

BY THE BUDGET ANALYST)

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## INTRODUCTION

The Budget Analyst's Management audit of Port of San Francisco operations is disappointing and misleading in several respects.


Despite extensive comments offered by Port administrative staff following review of two earlier drafts of this report, the version given to us for final review still contains numerous self-contradictions and errors of fact, and it continues to reflect a serious lack of understanding of the legal, political, and economic environments in which the Port must operate.

Among its many inadequacies, the following stand out\*:

- o Vacancy rate is miscalculated -- The Budget Analyst's report erroneously claims a vacancy rate of 23.6 percent (page 50) for Port properties, which it further claims is far above the vacancy rate in the City as a whole. In fact, the Port has only 60,000 square feet of office space vacant, out of a total of 404,000 sq. ft. available, for a vacancy rate of 15 percent, which is comparable to that of the Financial District and better than that of many of the City's business areas.
- o Commercial value of Port property is not understood -- The report's projection of \$100 million in annual revenues from commercial development (page 12) is based on a mix of faulty logic and an unsubstantiated valuation of Port property at \$1 billion. The market value of a given parcel of land is directly related to what can be built on it. Correspondence between the Port and such legally empowered regulatory agencies as the Bay Conservation and Development Commission (BCDC) and the State Lands Commission makes it clear that some of the things specifically recommended by the Budget Analyst's report are prohibited (the recommendation to build a mixed-use development on Pier 80, for example).
- o Cost estimates are inconsistent -- On Page 2, the report states that the cost to implement all of its recommendations would be "\$50,000 annually, plus \$58,533 in one-time costs." On page 17, it states that "implementation of this recommendation would require the Port to spend an estimated \$20 million annually over 10 years and would require a significant undetermined amount of capital investment and personnel cost."

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\* We cannot be certain our comments will correspond item for item with the report as released, since the Budget Analyst has reserved the right to alter the final report should our final written response prove persuasive.



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- o Renegotiation of long-term leases is unlikely -- Several restaurants in the Fisherman's Wharf area, holders of extremely favorable leases that do not expire until well into the next century (all of them dating back 10 to 15 years), have entered into short-term agreements with the Port for small parcels of adjacent property. The Budget Analyst appears to hold the opinion (page 42) that these leaseholders would be willing to renegotiate their long-term leases on terms more favorable to the Port in order to protect the smaller parcels now held on month-to-month terms. We consider that prospect unrealistic at best.

From these few points, and a great many others contained throughout the report, it is apparent that the auditing team of the Budget Analyst's office does not have a firm grasp of the realities of managing Port lands. And the report fails repeatedly to perceive the significance of the fact that these lands do not belong to the City of San Francisco but are, in fact, state-owned lands over which the Port exercises stewardship under elaborate constraints.

The Port's actions are regularly and closely scrutinized by such agencies as BCDC, the State Lands Commission, and the U.S. Army Corps of Engineers, to name but a few of the local, state, and federal jurisdictions in which we operate. Each has its own view of what is best for the waterfront, each interprets and administers the various laws governing the Port's activities, and all must be taken carefully into account in virtually everything the Port undertakes. The audit does not recognize these political and legal realities, and in effect lightly brushes them aside.

Nor do the auditors seem familiar with the maritime industry or the City's commitment to it, as expressed on numerous occasions by Mayor Dianne Feinstein and endorsed by an overwhelming majority vote for a \$42.5 million bond issue to revitalize the Port's maritime operations.

There are, of course, some recommendations of merit in the report. However, many of them already have been, or are in the process of being, implemented.

The Port of San Francisco is arguably the City's greatest single asset. From the colorful and historic fishing industry at Fisherman's Wharf to the blue-collar employment centers along the industrial southern waterfront, Port facilities are among the most visible and productive resources in the City. Proper management of these resources demands a professional knowledge of all the markets they serve, as well as a thorough understanding of the existing political, legal, and economic environments in which they must be operated.

On each of these requirements, we find the Management Audit to be deficient.





## AUDIT STATEMENT

### SECTION I.1: STRATEGIC PLANNING

"THE PORT HAS SOME OF THE MOST VALUABLE PROPERTY ON THE WEST COAST. HOWEVER, OVER THE YEARS THE PORT'S MANAGERS HAVE NOT DEVELOPED AN INTEGRATED PLAN IN ORDER TO USE THE PORT'S COMMERCIAL PROPERTY RESOURCES TO FINANCE THE DEVELOPMENT OF FACILITIES FOR THE MARITIME AND FISHING INDUSTRIES. WHILE THE PORT HAS MADE VARIOUS ATTEMPTS TO DEVELOP SOME OF ITS PROPERTY FOR COMMERCIAL USE, AND WHILE STATE REGULATORY AGENCIES HAVE HINDERED THESE ATTEMPTS, THE PORT HAS NOT BEEN AS AGGRESSIVE IN THE DEVELOPMENT OF ITS PROPERTIES FOR COMMERCIAL USES AS IT HAS BEEN IN DEVELOPING ITS PROPERTIES FOR THE SHIPPING INDUSTRY. AS A RESULT, AT LEAST ONE MILLION SQUARE FEET OF PORT PROPERTY IS EITHER UNUSED OR UNDERUTILIZED. FOR EXAMPLE, FOUR FACILITIES ON PIERS 27/29, 70, 80 AND 94/96, WHICH HAVE BEEN VACANT FOR OVER ONE YEAR, CONTAIN OVER 434,000 SQUARE FEET OF OFFICE AND INDUSTRIAL SPACE. BASED ON A TEN PERCENT GROSS REVENUE RETURN ON THE ESTIMATED PROPERTY VALUE, THE DEVELOPMENT OF ALL PORT PROPERTY, CURRENTLY VALUED AT AN ESTIMATED \$1 BILLION, COULD RESULT IN AN ESTIMATED \$100 MILLION IN MINIMUM ANNUAL REVENUES TO THE PORT WITHIN TWENTY YEARS, OR OVER \$70 MILLION MORE THAN THE PORT'S CURRENT ANNUAL RENTAL REVENUES OF \$29.3 MILLION."

## PORT'S RESPONSE

The Port, City and BCDC have an integrated plan for development of Port land to finance the maritime and fishing industries. Port projects have produced a steadily increasing profit since the years the Port faced financial crisis. Revenues are produced by five major office buildings, numerous restaurants, retail businesses, Pier 39 and office rentals. With this income and an A-1 bond rating, the Port sold a \$42 million bond issue to finance maritime and Fishermans's Wharf improvements. More projects are in the pipeline on Piers 3 and 45 and four other northern waterfront parcels are planned for development. The Report suggests the Port should have built on its properties whatever a private landowner would build and failure to do so shows a "limited enthusiasm". In fact the State Constitution, legislative acts and regulatory restraints prohibit such land uses. The value of Port land is directly related to the permitted uses. The report states, due to land use restrictions, "... the Port must put all development to low revenue producing maritime purposes or do no development at all ...." and then the Report is critical of the Port doing what they say we must do! The actual vacant space in the areas referred to is 36,050 sq.ft., not 434,000 as the report erroneously states by counting 300,300 sq.ft. now under environmental review and two other unusable sites. The report provides no substantiation of the value of Port property. The \$70 million increase in revenues the report says the Port could achieve in twenty years would be achieved solely through eight percent annual growth and escalation with no new development.

### Port's Detailed Response:

#### The Issue of Real Estate, Regulatory and Maritime Context

The Report did not examine or understand the real estate, regulatory or maritime context of Port property. Notable omissions in the list of agencies interviewed are the Bay Conservation and Development Commission (BCDC) and the State Lands Commission, the two agencies with





primary regulatory control over Port land. The report suggests that the Port has not been aggressive enough with these agencies, while in fact the present administration more than any previous leadership has made a priority of working to resolve the conflicting directives and land use policies governing the Port.

The Port does not "invent" these restrictions (see the McAteer-Petris Act; Public Resources Code; Planning Code, Section 240.1). Under Section 6306 (b) of the Public Resources Code as well as the Burton Act, it is clear that all revenues received from these trust lands shall be expended only for those uses consistent with the public trust for commerce, navigation and fisheries. Regulatory agencies have advised that the land use and development choices are strictly limited. The Port supports legislation or amendments modifying existing constraints so that reasonable development can take place.

The Port is also subject to the leasing, land use, and environmental authority of the Board of Supervisors, City Planning Commission, U.S. Army Corps of Engineers, Regional Water Quality Control Board, Fish and Game, Coast Guard, and other agencies. Maritime development must provide public access to the shore and cause minimal impacts to the Bay. Non-maritime developments must pay for and maintain large areas of public access, as well as pay the fees imposed by the City for transit, etc.

#### The Issue of Accomplishments

It would be hard to find a more constrained business and regulatory environment within which to work. In this context, it is remarkable that the Port has effectively pursued so many worthwhile projects. A partial list includes:

- North and South Container Terminal modernization
- Intermodal Rail/Container Transfer Facility (ICTF) design and development
- Fisherman's Wharf Breakwater legislation, funding and implementation
- Jefferson St. Seawall funding, design and completion
- Commercial fishing berth improvements (power, water, ladders)
- Pier 30-32 Cold Storage and Container Freight Station development
- Pier 70 Warehousing and Container Freight Station planning
- Roundhouse Plaza leasing agreement
- Pier 7 Public Fishing Pier design, funding and grant applications
- Pier 45 Hotel and Hyde St. Pier commercial fishing project
- Piers 1-1/2, 3, and 5 offering and developer selection
- Waterfront Promenade funding and completion

#### The Issue of Conflicting Land Use Directives

The Report states that the Port "falters" when a difficulty is encountered in the planning or regulatory process. This is untrue. For example, in order to expedite processing of Port environmental review through the City Planning Department, the Port has paid the salary of Environmental Review staff to augment departmental resources. Port staff also has an excellent relationship with BCDC staff, and this cooperation has resulted in expedited permit review. No examples of the "faltering" are given in the report.

As an example of the conflicts in planning done by outside agencies, Pier 45 was designated for housing in 1981 - a use explicitly prohibited under





the public trust doctrine of the State Lands Commission. The current Port administration formed a civic advisory group, redefined the land uses, and is moving ahead with a new pier and berthing for commercial fisheries and a hotel and public assembly uses on Pier 45. In another example, Pier 24, designated by planners for mixed use development, is in poor structural condition and has to be rebuilt. Rebuilding can only be permitted if the uses are water-oriented under the McAteer-Petris Act (BCDC legislation) and cannot be for office or commercial use. This is an example of a "self-cancelling" land use policy that the Port inherited and is working to change.

On the southern waterfront, BCDC/MTC Seaport Plan designates "Near Term" and "Long Term" container terminal sites, and BCDC will only permit interim uses in these areas. On Port land there are four such sites which consist of hundreds of acres of Port and privately owned land. When the Port wanted to put a ship repair operation at Pier 50 under a long-term lease, it was precluded from doing so by BCDC. This operation was limited to five years and may not be renewed without a commitment to relocate. But it presently returns to the Port \$750,000 annually.

#### The Issue of "Sound Business Management"

We share the report's concern for the ability of the Port to fund needed improvements to its facilities and infrastructure without relying on the General Fund. However, the Report dwells on old issues and decisions of past administrations perpetuating myths about poor management. The Report ignores a ten-year record of increasing financial strength, professional staffing changes, upgrading of bond rating from Bbb to "A-1", reduction in accounts receivable and favorable management letters from its outside auditors.

The Port has been brought from the threat of bankruptcy in 1976-77 to a strong financial position at present, with a net income of \$5.8 million in 1985. This could never have been accomplished without professional, business-like management. The Report has numerous references to past decisions which the present management cannot change. Yet the Port must still deal with the consequences of those decisions.

#### The Issue of Use of Private Developers

The Port has used the financing provided by developers under long-term leases to accomplish development of surplus property which has been very attractive to private investment. The Report suggests such an approach as if it were a wholly new idea. This has been Port Commission policy for many years as outlined in Maritime Strategy II. The leases provide that the Port participates in the profits from these developments, receiving a minimum rent plus "percentage rents" based on the profitability of the development. This has been standard practice for many years.

#### The Issue of Costs to Implement Report Recommendations

The introduction to the report estimates the cost to implement the Report's recommendations at \$50,000 annually plus \$58,539 in one time costs. But the body of the Report states that one recommendation alone would cost \$20 million annually for ten years and an undetermined amount of capital and personnel cost. The Report underestimates the costs and exaggerates the gains to be achieved by implementing its recommendations but does nothing to substantiate its projections.





## AUDIT STATEMENT

### SECTION I.2: FACILITY ACCOUNTING

"SINCE THE PORT DOES NOT ALLOCATE REVENUES AND EXPENDITURES TO ITS SPECIFIC FACILITIES, THE PORT DOES NOT KNOW EITHER THE COSTS OF ITS SPECIFIC FACILITIES OR WHETHER THESE FACILITIES ARE OPERATING AT A PROFIT OR A LOSS. AS A RESULT, THE PORT IS NOT ALWAYS ABLE TO OPERATE IN A BUSINESSLIKE MANNER. WITH THE LACK OF THIS BASIC COST INFORMATION, THE PORT IS HAMPERED IN MAKING SOUND DECISIONS AND DOES NOT KNOW IF THE EXPENDITURES MADE AT A SPECIFIC PORT FACILITY ARE JUSTIFIED BY THE REVENUES GENERATED BY THAT FACILITY. FOR EXAMPLE, THE PORT DOES NOT KNOW THE MAINTENANCE COSTS OF EITHER FISHERMAN'S WHARF OR OF PIERS 94/96."

## PORT'S RESPONSE

The Port has a plan to implement, within nine months, an automated cost accounting system that will provide revenues and expenses by facility. This is not a new idea, but one that current staff initiated. The Port is awaiting approval by the City of its data processing plan essential to this effort. Revenue and direct expense information by facility is currently available. The Port's favorable management letters from its outside auditors, improved bond rating, coupled with its increase in revenues, additional shipping lines and development agreements do not substantiate the Report's charge of not operating in a sound, businesslike manner.

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## AUDIT STATEMENT

### SECTION I.3: COLLECTION PROCEDURES

"THE PORT'S ACCOUNTING DEPARTMENT HAS INADEQUATE POLICIES WITH RESPECT TO THE COLLECTION OF THE PORT'S DELINQUENT ACCOUNTS RECEIVABLE OWED BY ITS TENANTS. THE PORT CURRENTLY HAS DELINQUENT ACCOUNTS AMOUNTING TO \$3.68 MILLION INCLUDING SOME ACCOUNTS THAT ARE OVER TWO YEARS OLD. AS OF MARCH, 1986, NINE TENANTS OWE THE PORT IN EXCESS OF \$1.6 MILLION AND HAVE BEEN IN ARREARS FOR OVER 60 DAYS BEYOND THE DUE DATE FOR THESE PAYMENTS. THE PORT HAS WRITTEN OFF BAD DEBTS OF OVER \$700,000 IN 1985, AND OVER \$400,000 IN 1984. AS OF 12/31/85, 63.2 PERCENT OF THE PORT'S ACCOUNTS RECEIVABLE WERE PAST DUE BY 90 DAYS OR MORE. REVISING PORT COLLECTION POLICIES AND INCREASING TENANT SECURITY DEPOSITS WOULD INCREASE PORT REVENUES BY AT LEAST AN ESTIMATED \$40,000 ANNUALLY."

## PORT'S RESPONSE

The Port has an aggressive and well documented Collection Policy. It compares favorably to similar ones in private industry and other City departments. In the last three years the Port's receivables decreased from \$5.6 million to \$3.5 million, accounts 60 days past due decreased from 367 accounts to 192, accounts receivable as a percentage of six-month sales decreased from 44% to 24%. The nine accounts over 60 days are in the City Attorney's hands for collection. Four of these are facility damage claims, not delinquent rents. One, Roundhouse, is a rent deferral approved by the Board of Supervisors. Collections policies will not change accounts in litigations. The \$700,000 written off in 1985 was 2.4% of total operating revenues; the \$400,000 in 1984 was 1.4%. The Accounts Receivable Write-off Policy was approved by the Port Commission and has been in effect since July 1984. Of the 63.2% receivables 90 days past due, accounts representing 47.5% have been forwarded to the City Attorney and are in litigation. Only 15% are the responsibility of the collections section.

### Port's Detailed Response:

Continued, next page.





## The Issue of Collections Policy

The report recommends that the Port develop and install new collection procedures, and that these procedures should cite legal authority for taking actions. The report further recommends that the Port should amend the write-off policy to include downward adjustments of accounts.

The Port has adopted and follows an aggressive, well documented, comprehensive collection policy which includes strict legal guidelines. A copy of the collection policy was provided to the audit team. The City Attorney has reviewed the collection policy and has approved it. In fact, the Budget Analyst is the only party to believe additional citing of authority is necessary, although the Budget Analyst admits that this would likely not result in increased collections.

The "downward adjustments", quoted above, refers to credits to accounts receivable for billing adjustments, which are made to correct billing errors. These have nothing to do with bad debt write-offs, and we see no reason to include it in either the collection or write-off policies.

\$40,000 in revenues could be saved by increasing tenant deposits. However, this can be accomplished without revising Port collection practices. The Budget Analyst offers no suggestions to improve collection policies or procedures that will result in increased revenues.

The report recommends the Port develop a comprehensive procedures manual which addresses all such collection issues and details the circumstances and authority under which any actions can be taken. A collection policy and a collection procedure have already been developed and are in place and working well. These policies, along with the write-off policy, specifically identify the steps in the collection process, the timing of these steps, and responsibilities by staff position. The policies also list levels of authority by staff position to recommend settlements and write-offs of accounts, which then must be approved by the Port Commission and the Controller's Office.

The report recommends that we develop a program -- in conjunction with the Wharfinger's Department -- to improve the collection of facility damage claims in order to determine the proper amount due to the Port. The Port has a Facility Damage procedure, prepared in October 1984, which addresses this issue and is working well.





## AUDIT STATEMENT

### SECTION II.1: CAPITAL PROJECT PLANNING

"THE PORT IS COMMITTING MILLIONS OF DOLLARS IN BOND FUNDS AND OTHER FUNDS TO MODERNIZE CARGO HANDLING FACILITIES IN THE HOPES OF CAPTURING MORE CONTAINER SHIPPING BUSINESS. THE PORT HAS ORDERED TWO NEW CRANES AND IS ACQUIRING ONE USED CRANE AT A COST OF \$6.9 MILLION. ADDITIONALLY, THE PORT PROPOSES TO REBUILD AN EXISTING CRANE AT A COST OF \$1 MILLION EVEN THOUGH THE USE OF THE PORT'S EXISTING CRANES IS FAR BELOW THE INDUSTRY AVERAGE. IN FACT, TO INCREASE THE PORT'S PRESENT CRANE USAGE TO THE INDUSTRY AVERAGE, THE PORT WOULD HAVE TO INCREASE THE ANNUAL NUMBER OF CONTAINERS MOVED BY 227 PERCENT FROM AN AVERAGE OF 15,303 TO AN AVERAGE OF 50,000 FOR EACH OF ITS SEVEN EXISTING CRANES WHICH ARE NOW USED LESS THAN FIVE PERCENT OF THEIR AVAILABLE TIME. CLEARLY, BY ADDING THREE CRANES FOR A TOTAL OF 10 CRANES, THE PORT'S CONTAINER HANDLING CAPACITY WILL FAR EXCEED ANY CARGO PROJECTIONS WELL INTO THE FUTURE. THEREFORE, THE PORT SHOULD DEFER THE PROPOSED \$1 MILLION REBUILDING OF AN EXISTING CRANE AND DEFER AN ADDITIONAL ESTIMATED \$4 MILLION FOR OTHER CARGO HANDLING IMPROVEMENTS. THIS TOTAL OF \$5 MILLION SHOULD BE PRODUCTIVELY USED FOR THE DEVELOPMENT OF SEVERAL COMMERCIAL REVENUE PRODUCING CAPITAL PROJECTS ON PORT PROPERTY."

## PORT'S RESPONSE

This recommendation is a poorly supported attempt to divert funds from container terminal modernization to non-maritime maintenance and repair projects with no income producing potential. The Port has a very specific plan for its capital projects which is periodically updated to reflect current requirements. The \$1 million for the upgrading of one container crane has never been scheduled for implementation and is, in effect, deferred. \$4.0 million, which apparently related to an outdated estimate to modify two railroad tunnels, was reprogrammed over 12 months ago to another high priority project - realignment of rail track to improve terminal access. Any arbitrary unspecified reprogramming of bond funds to non-maritime projects would jeopardize currently planned and scheduled container terminal and ICTF construction plans and therefore would be extremely detrimental to the Port.

### Port's Detailed Response:

#### The Issue of Maritime Development

The Port of San Francisco is in a "catch up" mode with respect to building the facilities that are needed for the Port to be a competitive player in the container marketplace. However, as the Report points out, San Francisco has rail access equal to or better than other Bay Area ports, and has natural deep water channels. Construction of the Intermodal Container Transfer Facility (ICTF) gives one additional cost advantage to shippers using San Francisco. With these assets, the Burton Act mandate, and the voters' approval of the bonds to finance needed improvements, it would be irresponsible for the Port to do anything but modernize its terminals.

Modern vessels are becoming larger and larger, with deeper draughts and more containers. Additional cranes are required because container vessels are getting larger and it is the "surge" nature of the loading/unloading of thousands of containers in eight hours that requires crane capacity.



Ships do not make money while sitting in Port. Shippers do not want to call where there is poor turn-around time. In the Port's marketing, it is impossible to attract new lines on the basis of future promises of what will be built. The report says the present cranes are idle most of the time; but so are most of the City's fire trucks. This is an illogical argument. Playing statistical games is no substitute for understanding maritime marketing and competition. The Southern Waterfront Master Plan, adopted by the Port Commission in 1981, and incorporated into the BCDC/MTC Seaport Plan, is the blueprint for development currently underway. The Port's analysis included cargo and throughput projections, criteria and schedule for improvements. The Port has completed a comprehensive Environmental Impact Report ("Master EIR") for all the anticipated development options for the North and South Container terminals.

#### The Issue of a Capital Development Plan

The maritime capital development plan is a hierarchical set of plans, proceeding from the regional (Seaport Plan) level to the specific implementation plans (engineering and working drawings) that are developed for each project. The Report implies that maritime improvements are ad hoc decisions and that no thought is given to long-term planning. This is entirely untrue. Long-range planning is a function integrated among the various Departments and includes outside consulting expertise in areas of marketing, engineering and construction. The Southern Waterfront Master Plan contains cargo projections, criteria and timetable for provision of facilities. In 1981, the Port began planning the full build-out of the intermodal rail yard and other improvements now being completed.

#### The Issue of the ICTF

The Report endorses the development of the Intermodal Container Freight Station (ICTF) but implies that the ICTF will not function efficiently without tunnel modifications to permit double-stack rail cars. The interim ICTF is being used today, and the full build-out ICTF will function perfectly well without the tunnel modifications. Obviously, double stack capability will enhance the attractiveness of the ICTF, and that is why the Port is pursuing tunnel improvements. The Report contradicts itself in stating that the tunnel improvements are needed but that the expenditure should be deferred.

#### The Issue of Redirecting Bond Funds

The Report recommends that the spending of \$1 million to upgrade an existing container crane and \$4 million for railroad tunnel modifications be deferred. We have already programmed these funds to other revenue-generating maritime capital projects associated with the overall container terminal modernization and construction of the ICTF. The maritime improvements needed at this time far outstrip the funding available. The Report's recommendation to make an arbitrary reduction from our current plan is not a reasonable approach and raises questions about the usefulness of the Report as a management tool. The projects that are suggested to be funded with these "reprogrammed" funds are primarily for maintenance and repair, without any new revenue potential.





## AUDIT STATEMENT

### SECTION II.2: AUDITS OF SHIPPING LINES AND TERMINAL OPERATORS

"ALTHOUGH THE PORT WHARFINGERS CONDUCT AUDITS TO VERIFY WHARFAGE STATEMENTS, THEY DO NOT REVIEW EITHER THE PORT'S BILLINGS AND LEASE AGREEMENTS OR THE SHIPPING LINES' AND TERMINAL OPERATORS' PAYMENT AND RELATED ACCOUNTING RECORDS. AS A RESULT, THE PORT HAS INSUFFICIENT DATA TO DETERMINE WHETHER IT IS RECEIVING THE CORRECT AMOUNT OF REVENUES WHICH IT IS OWED FROM THE SHIPPING LINES AND TERMINAL OPERATORS."

## PORT'S RESPONSE

This is incorrect. A more thorough analysis of the Port's billing and audit practices would have shown that the Port is in fact able to determine and trace the accuracy of what is owed. The recommendation reflects a lack of understanding of the structure of the Port's agreements, since they are unlike those of the Port of Oakland. Oakland has a complicated "use agreement" formula in which the previously agreed-upon discount varies depending upon actual cargo volume. The Port of San Francisco regularly audits the ship's cargo manifest, which is the basis for the fees to be paid. All revenues, including maritime, are a part of the Port's annual audit by an independent CPA firm. The Report elected to look at the Port of Oakland's audits in a year (1982) that showed a very large discrepancy. To suggest that a similar revenue gain would be found for the Port of San Francisco is a classic "apples and oranges" comparison.

### Port's Detailed Response:

#### The Issue of Audits

The Report provides no evidence of any problems with the current audits of shipping line revenues. Rather than relying upon a thorough analysis of the Port of San Francisco and the Port of Oakland procedures for reviewing wharfage statements, billings, collection procedures and annual audits, it merely makes a hypothetical revenue comparison with the Port of Oakland, which has different procedures and different types of shipping line agreements.

Any audit to determine if the Port "...is receiving the correct amount of revenues which it is owed from the shipping lines and terminal operators" must start with the same source documents, i.e. the cargo manifests. The Port regularly audits the cargo manifests of its shipping lines to determine the accuracy of the wharfage statements and billings. The results of these audits have shown both additional billings and refunds.

Once the wharfage statement is submitted to the Port, the Wharfinger checks the calculations of each wharfage statement and makes any other correction that appears necessary before a bill is generated by the Accounting Division. This procedure greatly reduces any mathematical errors or misapplication of the tariff which is the source of almost all of the "additional revenue". The Accounting Department routinely follows up on the collection of maritime bills, and in those cases where normal





collection procedures are not totally effective, the Maritime Department will follow up directly with the shipping lines. If the Maritime Department efforts do not work, the collection is turned over to the City Attorneys Office.

As part of the Port's regular annual audit by an independent CPA firm, all Port revenues, including maritime, are audited to verify that revenues are being properly reported and recorded. The results of the Port's annual audit are submitted to the City Controller.

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#### AUDIT STATEMENT

##### SECTION III.1: DURATION OF LEASES VERSUS LICENSES

"IN LIEU OF AWARDED LEASES, WHICH IN SOME INSTANCES REQUIRE THE USE OF COMPETITIVE BIDDING UNDER THE PORT'S PROCEDURES, THE PORT HAS CHOSEN TO AWARD 415 LICENSES TO CERTAIN TENANTS. WHILE THESE LICENSES CAN BE TERMINATED BY EITHER THE PORT OR THE TENANT UPON 30 DAYS WRITTEN NOTICE, IN FACT THE PORT HAS PERMITTED NUMEROUS LICENSES TO REMAIN IN EFFECT FOR YEARS. THESE LICENSES ARE PRESUMED TO HAVE BEEN RENEWED EVERY 30 DAYS IF NEITHER THE PORT NOR ITS TENANTS TAKE ANY ACTION TO TERMINATE THE LICENSES. SINCE THESE LICENSES, IN CONTRAST TO LEASES, ARE AWARDED BY THE PORT WITHOUT UTILIZING ANY COMPETITIVE BIDDING PROCEDURES, THE PORT CANNOT BE ASSURED THAT IT HAS MAXIMIZED ITS REVENUES FROM THESE TENANTS."

#### PORT'S RESPONSE

Seventy-five percent of the licenses are for office space which is rented for the maximum the market will support. Most of the office uses are in the Ferry Building. Under the recently terminated agreement with a prospective developer of the Ferry Bldg., the Port was prohibited from offering leases pending development of the building. Now the Port is negotiating leases for office space in these areas. Licenses have been used to allow the Port to derive revenue from sites and uses that would not be able to get the permits or regulatory approvals for permanent status. In some cases, licenses are the choice of tenants. Licenses are for uses such as valet parking, shoeshine and flower stands, and sidewalk vendors.

Use of license agreements allows the Port to derive revenues from parcels that would otherwise be subject to lengthy environmental and permitting requirements. Until very recently when an agreement was reached, after sustained efforts by the current Port leadership, BCDC would not give permits for change of use or long-term tenancies to non-maritime users in maritime and Port Priority zones. Even with buy-out provisions, BCDC is reluctant to have the Port encumber maritime reserve areas with commercial tenants. Licenses are also used so that the Port can readily recapture property for planned future uses. For example, licenses have been used for restaurants that have storage or garbage areas on Pier 45 at Fisherman's Wharf because the pier is out to bid for hotel development.



AUDIT STATEMENT

SECTION III.2 COMPLIANCE WITH LEASES  
AND LICENSES

"AS A RESULT OF INCOMPLETE DATA CONTAINED IN THE PORT'S 117 LEASE AND 415 LICENSE FILES, THE PORT DOES NOT KNOW IF ITS TENANTS ARE IN FULL COMPLIANCE WITH ALL OF THE PROVISIONS OF THESE LEASES AND LICENSES. FOR EXAMPLE, IN THE PAST YEAR, THIRTY ADJUSTMENTS TO INCREASE RENT, WHICH WERE PROVIDED FOR UNDER THE LEASE AND LICENSE AGREEMENTS, WERE NOT MADE ON A TIMELY BASIS."

PORT'S RESPONSE

All Port leases have been reviewed and updated as the Report states. All of the licenses will be reviewed for compliance in 1985/86. One of the Port's goals in its "Management By Objectives" (MBO) program for the current year is completion of compliance review of all its agreements. Any needed adjustments are now being made on a timely basis as a result of this effort.

AUDIT STATEMENT

SECTION III.3: LEASE ADJUSTMENTS FOR  
RESTAURANT TENANTS

"UNDER THE EXISTING PROVISIONS OF THE PORT'S LEASES WITH SOME OF ITS RESTAURANT TENANTS, THE PORT IS ENTITLED TO ADJUST THESE TENANT RENTS BASED ON AMENDING THE PERCENTAGE OF GROSS RECEIPTS EVERY FIVE YEARS. HOWEVER, THE PORT HAS NOT ADJUSTED THESE LEASES FOR EITHER OF THE FIVE-YEAR PERIODS BEGINNING IN 1980 AND IN 1985. BY FAILING TO ADJUST TENANT RENTS IN 1985 AND IN 1980, THE PORT HAS LOST ESTIMATED REVENUES FROM THEIR RESTAURANT TENANTS OF AT LEAST \$675,000 FROM THEIR RESTAURANT TENANTS. INCREASING RENTS TO ITS RESTAURANTS TENANTS, IN ACCORDANCE WITH THE PORT'S LEASE PROVISIONS, WOULD RESULT IN ESTIMATED INCREASED REVENUES TO THE PORT OF AT LEAST \$380,000 ANNUALLY."

PORT'S RESPONSE

The Report is again misleading in that not all of the 1975 restaurant leases allowed rental adjustments in 1980. The Report implies it is the Port's right to bring these leases up to the Port's "current rate" for new restaurants. In fact, each lease is different, and any adjustment is subject to the lease terms which define the geographic boundary of the survey area for the purpose of determining comparable rents, etc. By use of ambiguous terms and a reference to Fisherman's Wharf, the Report implies widespread delay in increasing restaurant rents at Fisherman's Wharf. Actually, only four restaurants in the Wharf area are at issue. The Report calculates "lost" revenue by using percentage rent standards that are the highest of any being charged. There is no evidence to document lost revenues, since a percentage rent survey may well indicate that no adjustment or a downward adjustment is appropriate. As the Report states, the Port has time to conduct a survey, adjust rents and collect any monies which may be due. This is a staff priority, and an automated "tickler" system will be used in the future. References to decisions reached by the Port Commission in 1980 are not relevant. These decisions were made by responsible parties after due deliberation on facts which showed no adjustment was justified at that time.





## AUDIT STATEMENT

### SECTION III.4: LEASING OF PORT FACILITIES

"THE COMMERCIAL PROPERTY DEPARTMENT HAS NOT AGGRESSIVELY ATTEMPTED TO LEASE THE PORT'S COMMERCIAL, INDUSTRIAL AND OTHER SPACE. IN CONTRAST TO A CITYWIDE VACANCY RATE OF APPROXIMATELY 13.4 PERCENT FOR OFFICE SPACE, THE PORT'S VACANCY RATE FOR OFFICE SPACE MANAGED BY PORT STAFF, IN CONTRAST TO THE PORT'S OFFICE SPACE MANAGED BY OUTSIDE DEVELOPERS, IS AN ESTIMATED 23.6 PERCENT. AS A RESULT OF VERY LIMITED MARKETING ATTEMPTS TO LEASE PORT FACILITIES, WE ESTIMATE THAT THE PORT HAS LOST AT LEAST \$298,800 IN LEASE REVENUES DURING THE PAST YEAR FOR JUST TWO OFFICE BUILDINGS. BY DEVELOPING A SOUND MARKETING PLAN, WE ESTIMATE THAT THE PORT COULD INCREASE ITS PROPERTY RENTAL INCOME BY AT LEAST \$375,828 ANNUALLY."

### PORT'S RESPONSE

The vacancy rate the Port has documented is approximately the same as the Citywide average (15%). The Report exaggerates the amount of vacant office space and the vacancy rate by a selective inventory and by eccentric standards that are illogical and contrary to norms in the real estate industry. The Report's inventory of Port-controlled office space does not include office space when it is occupied in conjunction with or adjacent to maritime operations such as ship repair, import-export or shipping lines -- even though, when such space is vacant, it is marketed by the Commercial Property Department for office tenants. The audit team did not count Crowley Maritime's occupied office space at Pier 9, but did count similar vacant office space in Pier 35. The Report did not count 32,000 sq.ft. of Port offices in the Ferry Building even though the Port vacated space on the first and second floors and is now renting to other tenants. The result is that the Report magnifies the vacancy rate by comparing it to a smaller total than actually exists.

#### Port's Detailed Response:

##### The Issue of Office Occupancy

The Port has twenty-four facilities which contain rentable office space under the Port's day-to-day control (i.e. this excludes office buildings operated by others on Port land such as Blue Shield or Roundhouse). The total leasable office space in these facilities is 404,131 sq.ft. The total occupied is 344,452 sq.ft., and the total vacant is 59,679. Thus, occupancy is 85% and the vacancy rate is 15% (documentation on file at the Port).

The S.F. Examiner (4/18/86) stated that as of April 1, 1986, the vacancy rate for the Financial District was 15.1%, with South of Market financial district at 22.7% and the Van Ness corridor at 23%. Therefore, the Report's conclusion that the Port would receive increased revenues by a reduction of its vacancy rate from the citywide average is meaningless. Further, considering the drop in rents for prime office space with superior location and amenities (from \$28+ to low \$20's per sq.ft. according to the Examiner article noted above) the Port has achieved and maintained exceptionally high office occupancy.





The Report's recommendation that the Port "market" office space does not comport with the contradictory recommendation to put it out to bid. In today's marketplace, competitive bidding is a pointless and excessively time-consuming exercise.

#### The Issue of Area Available for Development

This section of the Report states that the Port has 908,109 sq. ft. of vacant sites and buildings that could be developed for light industrial or similar uses. Yet this total number includes the 434,000 sq. ft. referred to in Section I. After exclusion of the 300,300 sq.ft. under environmental review for a maritime warehouse center, exclusion of other buildings that can not be rented, and exclusion of 289,136 sq.ft. under the control of the Redevelopment Agency under a long-term lease, the accurate total is about 146,729 sq.ft.

The Report attempts to perpetuate the myth that the Port has many development sites that are lying fallow due to inept management. The "value" of land obviously depends on what development or uses are allowed. For example, the waterfront Promenade represents 1,600 feet of Bay front land. It is dedicated to open space under the City's Northeast Waterfront Plan, the BCDC Special Area Plan, and the Board's adopted South Beach / Rincon Point Redevelopment Plan. What is its "value"?

#### The Issue of How Port Pursues Commercial Property Development

The Port uses the financing provided by developers under long-term leases to accomplish development of surplus property. The leases provide that the Port participates in the profits from these developments receiving a minimum rent plus "percentage rents" based on the profitability of the development. This has been standard practice for many years.

Many parcels have been or are being developed on this basis, including seawall lots (inland of the Embarcadero) that contain developments such as the Blue Shield building, Francisco Terraces, Roundhouse Plaza, 900 Front St, Fog City Diner, etc. Others, such as at Fisherman's Wharf and Pier 39, have been developed on pier coverage. Most commercial property leases require the tenants to maintain the substructure and site in good condition. Maintenance is not the Port's responsibility, and the lease return reflects this arrangement.

A team of Port staff, including the finance director, property manager, planning and legal staff, and outside consultants, follow a policy of offering property for major development in a planned sequence. A schedule for these offerings has been developed under the leadership of the current Executive Director.

The first offering was Seawall Lot 318, leased as an adjunct to the rehabilitation of the Magnin building. The second was Piers 1-1/2, 3 and 5, including the refurbishment of three historic bulkhead buildings and a new office building with almost 80,000 sq. ft. of public plazas. The current offering is the Pier 45 Hotel and Hyde St. Pier commercial fishing complex, now published and distributed as a Request for Qualifications. The next offering will be Seawall Lot 314 (Bay at the Embarcadero). Following this will be Pier 24. The preparation and subsequent negotiation of these offerings are proceeding in a timely fashion.



## The Issue of Land Use Restrictions

Many of the sites that the Report refers to as unused or underutilized are designated by BCDC for Port Priority, Maritime and Seaport development. Port property can not be developed for the traditional "highest and best" use. The obstacles are primarily the land use restrictions imposed by the State Lands Commission, BCDC, City zoning and master plan, etc. As a consequence of numerous court cases and interpretations, these lands can not be developed for residential or general office space.

Since land use restrictions are "invisible" controls on what can be done with Port property, it is easy to disregard their importance in governing what can be built, and, in turn, the profitability of the potential development. The Port is the trustee of these lands for the State of California. The public trust doctrine, embodied in the State's constitution, requires that Port lands be used for purposes of statewide importance and not for purely private purposes.

The State Lands Commission has made it very clear to the Port that it is not permissible to develop "general" office space unrelated to the conduct of water-borne commerce or purposes of statewide importance (see *People vs California Fish Company* and *City of Berkeley vs Superior Court*). The SLC requires that the Port and potential developer submit criteria for "qualified" tenants prior to beginning a project, and that they demonstrate a demand by such qualified tenants for 150% of the space to be built.

## The Issue of the Property Department as a "Passive Money Collector"

The Report states that the Commercial Property Department is currently like a passive money collector with staff that is there merely for the maintenance of accounts. This is completely false. Over a two-year period (April 1984-March 1986) the Commercial Property Department has:

- Negotiated and Processed 266 new rental agreements.
- Booked and Coordinated 37 special events at Piers 35 and 45.
- Issued and Monitored 42 filming permits.
- Increased annual billings by more than \$750,000 through lease rental rate adjustments (CPI's and others).
- Increased annual billings on existing licenses by more than \$635,000 through scheduled rate adjustments.
- Increased rates for parking stalls by 15 to 35%.
- Developed and commenced implementation of a plan for installation of 300 new parking meters.
- Assisted in collection of several hundred thousands dollars in delinquent accounts.
- Audited 117 leases and corrected compliance deficiencies discovered thereby, resulting in collecting over \$175,000 in back payments of rent.
- Corrected many squatter/encroachment problems by evicting illegal users or securing payment for the space (including approximately \$70,000 in back payments).
- Secured several facilities which had a history of squatter/vagrant problems, including Piers 1, 1-12, 3, 5, 7, 33, 66 and several southern waterfront seawall lots.

Continued, next page





## Commercial Property Department's Accomplishments, continued

- Developed or formalized policies and/or procedures for:
    - . Space rental (licensing & leasing)
    - . Termination of tenancies
    - . Special events rentals on Piers 35 and 45
    - . Approval of tenant signs
    - . Tenant insurance requirements
    - . Checklist for monitoring performance of contract janitors and security guards.
    - . Work orders
    - . Monthly Rental report through which billing errors are discovered and corrected.
  - Worked with other City departments to establish policies and procedures to deal with problems such as pedicabs, street performers, street vendors, squatters, vagrants.
  - Designed and commenced implementation of computerized vacancy reports, tickler systems and lease abstracts.
  - Contributed significantly to development of Redevelopment Agency Lease/Option, Piers 1-1/2, 3 and 5 Lease/Option and developer selection, and Pier 45 RFQ/RFP.
- 

## RECOMMENDATIONS ALREADY IN PROGRESS AT THE TIME OF THE REPORT

Many Report recommendations are for actions or improvements that have been under way for some time. These include:

- a) Development of a new collections policy (completed);
- b) Conversion of electric service to PG&E (on-going since 1972);
- c) Extensive use of monthly management financial reports;
- d) Compliance review of all tenant leases;
- e) Development of an automated facility cost/revenue program;
- f) Reorganization of MIS Department resulting in a 100% increase in productive output and elimination of outside consultants;
- g) Completion of procedures manuals for purchasing and personnel; development of manuals for leasing and payroll;
- h) Use of "tickler" files for lease compliance/adjustments;
- i) Auditing of shipping contracts through manifests; and
- j) Use of short-term leases rather than licenses for non-conforming uses in maritime reserve areas.





## RECOMMENDATIONS WITH WHICH WE CONCUR

The report contains many useful recommendations. We concur with the recommendations in the following areas:

- a) China Basin Houseboat Community;
- b) Fireboat; and,
- c) Provision of Electricity.

Conversion of electrical service to PG&E has been Port policy and an on-going effort since the early 1970's. Staff has met with the Mission Creek Harbor Association and is in the process of finalizing lease terms for Port Commission approval. At Port staff's urging, the Harbor Association has been made a co-applicant on the Bay Conservation and Development Commission permit for the project. This places compliance responsibility on the Association.



PORT LAND LABELED "UNUSED OR UNDERUTILIZED" IN THE AUDIT STATEMENT

Actual Land Use Disposition and Availability for Development

<u>Facility</u>	<u>Location (between)</u>	<u>PORT'S RESPONSE</u>
Pier 98	South end of Cargo Way and India Basin	Spit of land created for proposed "Southern Crossing" bridge. Considered illegal fill by BCDC; BCDC could require its removal at great cost. Instead Port proposed 4 acres for maritime/terminal and 11 acres for public access/habitat as part of "mitigation" required for terminal expansion permit. BCDC OK'ed.
Pier 96	Cargo Way and Bay at Jennings Street	Admittedly a vacant office building <u>within</u> the terminal. All of the area referred to is part of terminal development area. 100-foot strip would not be developable even if it was available, due to set-back, off-street parking and loading requirements. This is a totally unrealistic site for development unrelated to terminal. All this area is designated under BCDC Plan as "Port Priority" only.
SWL 352	Cargo Way and Pier 94 and Islais Creek	Site is not available for "mixed use" development; site is a BCDC-designated Seaport site and Port Priority area. Adopted master plan and EIR call for container terminal expansion here. BCDC permit could not be obtained for non-maritime use. "Natural" state is Bay waters.
SWL 344	Cargo Way and Piers 90/92	See above. Development recommendations totally ignore BCDC limitations on use. Area is designated Port Priority. Current uses are in support of maritime activities.
Islais Crk SWL 354 Piers 84, 86, 88	Marin and Islais Streets	Islais Street is waterway and a street on paper only. Area does need cleanup. Port holds a BCDC permit to use south side of channel for rail trestle alignment to access Piers 94-96 and ICTF. In the Bay Plan this area is designated for public access and does not have development potential. Again, verify with BCDC at 557-3686.





<u>Facility</u>	<u>Location (between)</u>	<u>PORT'S RESPONSE</u>
Pier 80	Marin, Army and Twenty-sixth Streets & Illinois, Michigan, Maryland and Massachusetts Streets.	This is <u>not</u> Port property; it is WP/UP (Upland) railyard. The Pier 80 building does have some space for lease. Perception that this is Port land should be corrected in report.
SWL 349	Twentieth and Twenty-second Streets and Pier 70 and Port's shipyard facility used by Todd.	Pier 70 Container Freight Station (CFS) and warehousing center are under environmental review. The bulk of the site is a BCDC-designated "Near Term" Seaport site. Call BCDC (557-3686) and inquire about the "mixed use" development potential. We did.
SWL 345 Piers 64 and 54	Illinois, Mariposa and China Basin Streets extending to Pier 50	Disagree unused and underutilized; small boat repair uses in demand.
SWL 343	Illinois and China Basin Streets near Mariposa Street	Property leased to production and sales uses, in addition to parking.
China Basin	Channel and Berry Streets	Port-owned sixty-foot strip has little, if any, development potential. Mission Bay project is being planned for 200 acres of surrounding private land. In all alternatives, channel is dug out and greatly enlarged thus eliminating any "land" areas that now exist. This is being done at the insistence of the "public" through the City Planning Department's process.
SWL 336 Pier 46B	Berry, Third Streets and China Basin	Building houses Port Maintenance Department, Belt Line storage and industrial users. Cost to relocate Maintenance Dept. is under study.
SWL 335 SWL 334 SWL 333 SWL 332 SWL 331 Pier 40	Embarcadero and: Berry Street Berry, Second and King Townsend First and Brannan Fremont and Brannan King Street	South Beach project of the Redevelopment Agency. The Port has not had control over land uses here since the Board of Supervisors designated it a Redevelopment Area. This was a Board, not a Port, decision. Redevelopment Agency has funding sources, such as CBDG and tax increment financing, that are not available to Port.





<u>Facility</u>	<u>Location (between)</u>	<u>PORT'S RESPONSE</u>
SWL 330 SWL329	Embarcadero and: Beale and Bryant Main and Bryant	Scheduled for future development. Staff has received and is considering two development proposals that involve an international trade fair/exhibit. City is trying to limit development potential by reducing height limit from 105 ft. to 40 ft.
Pier 34	Brannan Street	If rebuilt, under BCDC regulations would have to be "water dependent" use with proof of "no alternative upland location".
Pier 30/32	Brannan and Bryant Streets	Being rebuilt for container freight station (CFS), cold storage and centralized customs. Has undergone environmental review; BCDC permit filed in March. Design contract awarded by Port Commission. Construction to begin late 1986 or early 1987.
Pier 24	Harrison Street	Designated for mixed use, community-oriented retail, recreation and public access/assembly in BCDC and City's master plan. However, structure would have to be rebuilt, and on rebuilt structure BCDC would not allow the planned uses.
SWL 328	Bryant and Harrison	SWL 328 is on a long-term lease to owners/developers of adjacent building (Magnin Bldg.) which is not on Port property. Port has recapture rights.
SWL 327 SWL 348 SWL 347S SWL 347N	Steuart and: Folsom Folsom and Howard Howard Howard	327 and 348 to be used as a park by the Redevelopment Agency. SWL 347N is under license to developers of adjacent parcel where they have built a public plaza and placed a sculpture and fountain. SWL 347S is leased to State for parking.
Agriculture and Ferry Buildings	Mission and Market Streets	Buildings are occupied by long term tenants (World Trade Club; Limbach, Limbach & Sutton), Port offices and by numerous offices. Port agreement with Continental Development Corp. for rehab of buildings did not allow Port to enter into leases.





<u>Facility</u>	<u>Location (between)</u>	<u>PORT'S RESPONSE</u>
Piers 1-1/2, Washington and Broadway 3, and 5		Developer selected in August 1985. Port staff and developer working with BCDC and State Lands to get project underway.
SWL 351	Washington and Jackson	Site has a gas station and parking uses on a lease with ten years remaining.
Pier 9	Vallejo Street	Waterfront headquarters of Crowley Maritime tugs and water taxi. Base of operation for the Bar Harbor pilots and Inland pilots. Also long-term office uses with 30-day termination due to DCP limitations.
SWL 324 SWL 323 SWL 322-1	Davis, Broadway, Vallejo Davis, Vallejo Front, Broadway and Vallejo Streets	SWL 324 on long term lease to Victoria Station restaurant. SWLs 324 and 322-1 are cut in half by Embarcadero freeway ramps. Development potential would be doubled with freeway removal. SWL 322-1 has a gas station and parking uses.
SWL 321 SWL 320	Green Street Union Street	SWL 321 under development agreement with office developer. Project has EIR and all required approvals. SWL 319 is site of Fog City Diner, one of Port's most lucrative uses.
Pier 27/29	Lombard and Chestnut Streets	True.
Pier 33	Bay Street, Northpoint Street, Embarcadero	Center for the herring fleet and related commercial fishing uses.
SWL 314	Bryant and Northpoint Streets	Lease expires in 1987. Port has begun process of putting out to bid using consultants to prepare development scenarios and do the EIR "up front".
Fishermans Wharf		Pier 45 has been advertised for developer interest (RFQ released in March 1986) to build hotel and public assembly/research facilities. Pier maintenance under long-term leaseholds is tenant responsibility and factored into lease terms.
Embarcadero and Beltline		Land is already planned to be part of Embarcadero/Muni. No basis to claim right-of-way could be "very valuable" to Port since the Burton Act reserves to the State any lands needed for roadway improvements.



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